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It's Official: Gas Tax Going Up

By JONATHAN HORN

The tax you pay on a gallon of gas will rise by 3.5 cents in California come July 1. The state Board of Equalization voted 3-2 on Thursday to increase the excise tax about 10 percent, from 36 cents per gallon to 39.5 cents per gallon.

The increase is partly due to a \$157 million shortfall in gas-tax revenue in fiscal 2012, and also a projection of less consumption by California drivers.

The state Legislature switched its gas taxation system in 2010 so it could re-appropriate some of the gas tax money from road maintenance to other areas. It reduced the sales tax from 8.25 percent to 2.25 percent, but roughly doubled the excise tax to 35.3 cents. The excise tax has increased multiple times since, but previous hikes were by fractions of cents.

An excise tax is placed on an individual product purchased, and not based on the price. The publicly elected board of equalization must set the rate each year by March 1 so that the state generates the same amount of tax revenue it would have had it remained under the previous sales-tax system. Taxable sales of gasoline in California have fallen from 15.9 billion gallons in fiscal 2006 to 14.6 billion gallons in fiscal 2012.

A January study by the American Petroleum Institute listed California's gas taxes as second highest in the nation behind New York. After the July 1 tax increase, however, the 70.1 cents average tax per gallon will lead the nation.

Prices for regular gas in California are already among the highest in the nation. On Wednesday, the average price for a regular gallon of gas was \$4.238, up from \$3.69 a month ago. California's prices are second only to Hawaii, the Auto Club reported.

A person who drives 15,000 miles a year at 20 miles per gallon would pay an extra \$26.25 per year in gas taxes. That's on top of the \$478 per year in state, federal and sales taxes.

The sales tax on a gallon of diesel will increase by 1.94 percentage points, but the excise tax will stay at 10 cents per gallon.

Democrats Jerome Horton, Betty Yee and John Chiang voted for the measure. Republicans George Runner and Michelle Steele voted against raising the excise tax. The publicly elected members can serve up to two four-year terms.

Runner said he took issue with a lack of transparency on the tax increase and said the state should not be in the business of predicting the volatile gas prices. He said the catch-up from fiscal 2012 only represented 1 cent of the 3.5 cent increase.

"This has nothing to do with good tax policy," he said. "This had everything to do with trying to solve a budget problem in 2010."

The three board members who voted to increase the tax rate did not immediately respond to the U-T's request for comment.

Alan Gin, an economist at the University of San Diego, said he didn't think the price increase would affect demand for gasoline, but said it would gradually hit consumer spending.

"When the price of a gallon of gas goes up, normally the money goes to oil companies," Gin said. "This time the state is taking it in terms of tax revenue so they could take that money and help offset the state deficit or could be spending it on programs."

The board in its statement said the excise tax revenues fund highway and mass transit projects, while the sales tax revenues go to local government programs.